

## Message Text

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ACTION AGRE-00

INFO OCT-01 EUR-12 IO-14 ISO-00 CEA-01 CIAE-00 COME-00  
DODE-00 EB-08 FRB-01 H-02 INR-07 INT-05 L-03  
LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05 SS-15  
STR-06 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 SOE-02  
OMB-01 DOE-11 /124 W  
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R 261617Z JAN 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 4494  
INFO ALL EC CAPITALS  
AMEMBASSY PARIS  
USMISSION GENEVA

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USEEC

PASS AGRICULTURE ELECTRONICALLY  
PARIS ALSO FOR USOECD  
GENEVA ALSO FOR USMTN

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SUBJ: EC COUNCIL OF AGRICULTURAL MINISTERS, JANUARY 23-24

REFS: A. 77 BRUSSELS 18688; B. LONDON 1281; C. 77 EC A-21  
D. STATE 15720; E. BONN 1246

1. SUMMARY: THE COUNCIL OPENED WITH A RATHER PERFUNCTORY  
DISCUSSION OF THE COMMISSION'S PROPOSED 1978/79 PRICE PACKAGE.  
COMMISSION PROPOSALS FOR THE REFORM OF MEDITERRANEAN AGRI-  
CULTURE AND FOR THE AUTOMATIC ADJUSTMENT OF MONETARY COMPEN-  
SATORY AMOUNTS (MCA'S) WERE ALSO BRIEFLY TOUCHED UPON.  
THE UK'S REQUEST FOR A 7.5 PERCENT DEVALUATION OF THE GREEN  
POUND SPARKED A LIVELY DISCUSSION. IN THE END THIS DEVA-  
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LUATION, AS WELL AS A 6 PERCENT DEVALUATION IN THE GREEN  
LIRA, WAS AGREED TO IN PRINCIPLE. BELGIUM, THE NETHERLANDS  
AND GERMANY AGREED ON AN AD REFERENDUM BASIS. THEY ARE TO  
MAKE THEIR FINAL POSITION KNOWN BY JANUARY 29. THE COUNCIL  
ALSO DISCUSSED COMMISSION PROPOSALS TO PAY A PRODUCTION  
SUBSIDY FOR CORN USED BY THE BREWING INDUSTRY AND TO ALTER  
THE CALCULATION OF REFERENCE PRICES AND MARKETING PREMIUMS

FOR ORANGES. HOWEVER, NO DECISION WAS TAKEN ON THESE PROPOSALS WHICH ARE NOW EXPECTED TO BE TREATED IN THE CONTEXT OF THE 1978/79 PRICE PACKAGE. THERE WAS NO DISCUSSION OF THE POSSIBILITY OF EXTENDING THE TARIFF SUSPENSION ON APPLES. END SUMMARY.

2. THE COUNCIL OPENED WITH A DISCUSSION OF THE COMMISSION'S PROPOSED 1978/79 PRICE PACKAGE. THE DISCUSSION WAS ALONG THE SAME LINES AS THAT OF THE PREVIOUS COUNCIL MEETING (REF. A). IT IS UNIVERSALLY ASSUMED THAT SERIOUS NEGOTIATIONS ON 1978/79 PRICES WILL NOT BEGIN UNTIL AFTER THE FRENCH ELECTIONS TAKING PLACE IN MARCH. CONSEQUENTLY, THE DISCUSSIONS WERE NOT VERY SPIRITED. FOR THE MOST PART, MEMBER STATES STAKED OUT WELL KNOWN OR PREDICTABLE POSITIONS. THE FRENCH, U.K. AND ITALIAN DELEGATIONS ARE NOT MUCH CONCERNED BY THE LOW INCREASE IN COMMON PRICES PROPOSED BY THE COMMISSION (IN TERMS OF UNITS OF ACCOUNT) BECAUSE THE ACTUAL PRICE INCREASES RECEIVED BY THEIR FARMERS WILL BE DETERMINED INSTEAD BY CHANGES IN THE GREEN RATES. THE UK HAS, IN FACT, CALLED FOR A FREEZE ON COMMON PRICES FOR AGRICULTURAL PRODUCTS IN SURPLUS. ON THE OTHER HAND, THE BENELUX COUNTRIES, AND, TO A LESSER DEGREE, GERMANY HAVE ATTACKED THE COMMISSION PROPOSALS AS INADEQUATE TO MEET THE NEEDS OF THEIR FARMERS. BELGIAN AGRICULTURE IS REGARDED AS THE WORST SITUATED -- CAUGHT IN A VICE BETWEEN A STRONG "TEUTONIC" CURRENCY AND A "LATIN" RATE OF INFLATION.

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IT APPEARS THAT THE COMMISSION IS CONSIDERING THE POSSIBILITY OF MAKING DIRECT PAYMENTS TO BELGIAN (AND POSSIBLY DUTCH OR LUXEMBOURG) FARMERS TO COMPENSATE FOR THE VERY LOW LEVEL OF PRICE INCREASE THEY WOULD RECEIVE UNDER THE COMMISSION'S PROPOSAL. BELGIAN AGRICULTURE MINISTER HUMBLET HAS CLEARLY INDICATED HIS INTEREST IN SUCH A PROGRAM. DENMARK SEEMS PREPARED TO ACCEPT THE COMMISSION'S PROPOSALS BASICALLY UNCHANGED, WHILE IRELAND WOULD PREFER A SOMEWHAT LARGER INCREASE IN PRICES.

3. THE MINISTERS ALSO BRIEFLY TOUCHED UPON THE COMMISSION'S PROPOSALS FOR THE REFORM OF MEDITERRANEAN AGRICULTURE AND FOR THE AUTOMATIC ADJUSTMENT OF MCA'S. UK AGRICULTURAL MINISTER SILKIN EXPRESSED THE VIEW TO THE PRESS THAT THE UK'S REQUEST FOR A 7.5 PERCENT DEVALUATION WOULD EFFECTIVELY BURY THE COMMISSION'S PROPOSAL FOR AUTOMATIC ADJUSTMENT EMPHASIZING THE NEED, NOT ONLY TO LOWER THE LEVEL OF MCA'S BUT ALSO TO REVISE THEIR METHOD OF CALCULATION FOR CERTAIN PRODUCTS SO AS TO AVOID DISTORTIONS IN TRADE. THE FRENCH AND ITALIAN DELEGATIONS ALSO ATTACKED THE COMMISSION'S MEDITERRANEAN PACKAGE AS INADEQUATE. THE COUNCIL INSTRUCTED THE SPECIAL COMMITTEE ON AGRICULTURE TO PREPARE FOR A

FEBRUARY 13-14 COUNCIL MEETING.

4. MOST OF THE INTEREST AT THE MEETING CENTERED ON THE DEVALUATION OF THE UK GREEN POUND. IN RESPONSE TO UK AND ITALIAN REQUESTS MADE AT THE END OF LAST WEEK, THE COMMISSION PRESENTED A FORMAL PROPOSAL TO THE COUNCIL FOR A 5-PERCENT DEVALUATION OF THE GREEN POUND AND A 6 PERCENT DEVALUATION OF THE GREEN LIRA. IN LINE WITH THE MONDAY NIGHT VOTE OF THE HOUSE OF COMMONS (REF. B), UK MINISTER SILKIN REQUESTED ON TUESDAY MORNING A 7.5, RATHER THAN A 5 PERCENT, DEVALUATION OF THE GREEN POUND. ALTHOUGH THE COMMISSION AND THE MEMBER STATES HAVE PUSHED HARD OVER THE LAST FEW YEARS FOR THE DEVALUATION OF THE GREEN POUND, THE UK REQUEST WAS GREETED COLDLY. THERE IS UNCLASSIFIED

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WIDESPREAD CONCERN, PARTICULARLY ON THE PART OF THE BENELUX COUNTRIES AND GERMANY, THAT A 7.5 PERCENT DEVALUATION OF THE GREEN POUND AT THIS TIME, WHICH WOULD RESULT IN AN EQUIVALENT INCREASE IN UK FARM PRICES, WOULD SERVE TO FURTHER HARDEN THE UK'S POSITION IN THE PRICE NEGOTIATIONS. CONSEQUENTLY, THE MEMBER STATES AND THE COMMISSION WERE NOT EAGER TO APPROVE THESE INCREASES. AT THE SAME TIME, THEY FOUND IT DIFFICULT TO REFUSE THIS REQUEST IN VIEW OF THE GENERALLY ACKNOWLEDGED RIGHT OF MEMBER STATES TO CHANGE THE GREEN RATE AS THEY WISH AND OF PREVIOUS URGINGS ON

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ACTION AGRE-00

INFO OCT-01 EUR-12 IO-14 ISO-00 CEA-01 CIAE-00 COME-00  
DODE-00 EB-08 FRB-01 H-02 INR-07 INT-05 L-03  
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STR-06 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 SOE-02  
OMB-01 DOE-11 /124 W  
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R 261617Z JAN 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 4495  
INFO ALL EC CAPITALS

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THEIR PART AT THE BRITISH DEVALUE. IN THE END THE 7.5 PERCENT DEVALUATION OF THE GREEN POUND (AND THE 6 PERCENT DEVALUATION OF THE ITALIAN LIRA) WERE APPROVED IN PRINCIPLE WITH AD REFERENDUM RESERVATIONS BY BELGIUM, THE NETHERLANDS AND GERMANY. THESE DELEGATIONS INDICATED THAT THEY WOULD MAKE THEIR FINAL POSITION KNOWN BY JANUARY 29 -- AFTER FURTHER TALKS WITH THEIR GOVERNMENTS.

5. UK MINISTER SILKIN, IN RESPONSE TO THE FOOTDRAGGING ON THE PART OF THE OTHER MEMBER STATES ON THIS ISSUE, INDICATED THAT HE MIGHT HAVE TO SPEND SO MUCH TIME EXPLAINING THE COUNCIL'S ACTION TO HIS NATIONAL GOVERNMENT, THAT HE MIGHT NOT BE ABLE ATTEND THE NEXT MEETING OF THE FISHERIES COUNCIL (JANUARY 30) AS WELL AS THE INFORMAL MEETING OF THE MINISTERS IN BERLIN AT THE END OF THIS WEEK. IT IS GENERALLY ANTICIPATED THAT THIS THREATENED BOYCOTT OF FISHERIES DISCUSSIONS WILL NOT BE CARRIED OUT. AT THE SAME TIME, IT IS EXPECTED THAT THE THREE MEMBER STATES IN QUESTION WILL GIVE THEIR APPROVAL TO THE DEVALUATION.

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6. THE DEVALUATIONS AGREED TO IN PRINCIPLE WOULD REDUCE EXISTING MCA'S ON UK TRADE FROM 29.5 TO 19.7 PERCENT; THE VALUE OF THE GREEN POUND WOULD CHANGE TO 1 POUND EQUALS 1.57678 UNITS OF ACCOUNT. EXISTING MCA'S ON ITALIAN AGRICULTURAL TRADE WOULD BE REDUCED FROM 24.4 TO 16.8 PERCENT. THE VALUE OF THE GREEN LIRA WOULD CHANGE TO 100 LIRA EQUALS 0.0912409 UNITS OF ACCOUNT. THE NEW GREEN RATES ARE SCHEDULED TO GO INTO EFFECT FEBRUARY 1, 1978 FOR DAIRY PRODUCTS, PORK, BEEF AND SUGAR (ITALY ONLY) AND THE START OF THE 1978/79 MARKETING YEAR FOR OTHER PRODUCTS.

7. OTHER ISSUES:

A) THE COMMISSION PROPOSAL TO EXTEND THE EXISTING SYSTEM OF PRODUCTION SUBSIDIES TO CORN AND BROKEN RICE USED FOR BREWING (REPORTED REF. C) WAS REFERRED BACK TO THE SPECIAL COMMITTEE ON AGRICULTURE. THE PROPOSALS ARE EXPECTED TO BE DEALT WITH AT THE SAME TIME AS THE 1978/79 PRICE PACKAGE.

B) FRUITS AND VEGETABLES: THE COUNCIL DISCUSSED A COMMISSION PROPOSAL TO AMEND THE EXISTING METHOD FOR THE CALCULATION OF REFERENCE PRICES FOR ORANGES, MANDARINES AND LEMONS

AS WELL AS THE METHOD OF CALCULATING PROCESSING SUBSIDIES FOR ORANGES. THE PROPOSAL (BEING TRANSMITTED BY AIRGRAM) WOULD GIVE THE COMMISSION SOMEWHAT MORE LEEWAY IN FIXING REFERENCE PRICES FOR THE ABOVE PRODUCTS. IT WAS AGREED THAT THIS PROPOSAL WOULD BE RE-EXAMINED IN THE CONTEXT OF BOTH THE 1978/79 PRICE PACKAGE AND THE MEDITERRANEAN REFORM PROGRAM.

C) COUNCIL SENT BACK TO THE SPECIAL COMMITTEE ON AGRICULTURE A PROPOSAL TO IMPROVE THE PREFERENTIAL TARIFF TREATMENT  
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GRANTED FOR CERTAIN PROCESSED AGRICULTURAL PRODUCTS FROM THE ACP COUNTRIES (IN PARTICULAR, CANNED TOMATOES FROM SENEGAL).

D) COUNCIL AGREED TO EXAMINE A FRENCH REQUEST TO TRANSFER BASIC SUGAR PRODUCTION QUOTAS FROM THE FRENCH ANTILLES TO REUNION.

E) COUNCIL APPROVED A REGULATION CONCERNING THE EXCHANGE RATE TO BE USED FOR PURPOSES OF ITS STRUCTURAL REFORM POLICY. AMOUNTS PAID (OR OTHERWISE SPECIFIED UNDER THESE POLICIES) ARE TO BE CONVERTED INTO NATIONAL CURRENCIES ON THE BASIS OF GREEN RATES IN EFFECT AT THE BEGINNING OF THE YEAR WHEN THE DECISION IS TAKEN TO GRANT AID.

8. THERE WAS NO DISCUSSION OF THE POSSIBILITY OF EXTENDING THE DUTY SUSPENSION ON APPLES PAST JANUARY 31. (REFS. D AND E). THE UK PERMDEL INFORMED US THAT THEY HAD RAISED THE ISSUE AT A MEETING OF THE SPECIAL COMMITTEE ON AGRICULTURE SEVERAL WEEKS AGO. NOT ONLY HAD THE COMMISSION OPPOSED ANY EXTENSION BUT THE UK HAD RECEIVED NO SUPPORT FROM ANY OF THE OTHER MEMBER STATES. CONSEQUENTLY, THEY HAD ABANDONED THE EFFORT AS HOPELESS. HINTON

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## Message Attributes

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